

## Message Text

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64

ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 PA-02 PRS-01

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R 160419Z DEC 75

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 613

INFO AMEMBASSY CANBERRA

UNCLAS WELLINGTON 3796

E.O. 11652: N/A

TAGS: ECON, NZ

SUBJ: GASOLINE PRICES INCREASED AND MORE ECONOMIC

RESTRAINT MEASURES EXPECTED SOON

REF: WELLINGTON'S 1473

1. AS OF MID-NIGHT DECEMBER 15, '75 THE PRICE OF  
PREMIUM GRADE GASOLINE INCREASED BY NZ5CENTS PER LITER TO  
NZ27 CENTS A LITER OR NZ\$1.2274 PER IMPERIAL GALLON, AN INCREASE  
OF 23 PER CENT. STANDARD (REGULAR) GASOLINE ROSE FROM  
NZ21.2 CENTS A LITER OR NZ96 CENTS AN IMPERIAL GALLON TO NZ26.2 CENT  
A LITER OR NZ1.19 PER IMPERIAL GALLON. USING DECEMBER 15  
EXCHANGE RATE OF US\$1.0502 EQUALS NZ\$1.00 THE NEW PRICES FOR  
A US GALLON OF PREMIUM OR REGULAR GASOLINE ARE US\$1.0733  
AND US\$1.0406 RESPECTIVELY. AUTOMOTIVE DIESEL FUEL ROSE  
FROM NZ10.2 CENTS PER LITER (NZ46.36 CENTS PER IMPERIAL GALLON) TO  
NZ14.9 CENTS A LITER (NZ67.72 CENTS PER IMPERIAL GALLON) AN  
INCREASE OF 46.07 PER CENT. THE LATEST PRICE  
INCREASES (THE FIFTH IN 23 MONTHS) REPRESENT PRICE  
RISES TO THE NZ CONSUMERS OF 153.8 PER CENT FOR PREMIUM AND  
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164.4 PERCENT FOR REGULAR GASOLINE SINCE JANUARY, 1974. IN

US TERMS THE PRICE OF GASOLINE HAS INCREASED BY ABOUT  
US 64.7 CENTS PER US GALLON.

2. ANNOUNCING THE PRICE RISES THE MINISTER OF TRADE  
AND INDUSTRY, MR. L. R. ADAMS-SCHNEIDER SAID THEY WERE  
NECESSARY TO COMPENSATE FOR RECENT CHANGES IN COSTS,  
INCLUDING DEVALUATION OF THE NZ DOLLAR, INCREASES IN  
THE COST OF CRUDE OIL AND INCREASES IN THE COST OF  
PROCESSING THE DISTRIBUTION BY WHOLESALERS. (NZ  
GOVERNMENT STILL RECEIVES NZ42.58 CENTS IN TAX FOR EVERY

GALLON OF PREMIUM SOLD - SEE REFTEL). THE INCREASES DO  
NO INCLUDE ANY ADJUSTMENT TO THE RETAILERS' MARGIN WHICH  
AT PRESENT IS RUNNING AT NZ7 1/2 CENTS PER GALLON ON THE NEW  
PRICES. MR. ADAMS-SCHNEIDER HAS INVITED THE NZ MOTOR  
TRADE ASSOCIATION TO CONSULT WITH THE APPROPRIATE  
GOVERNMENT DEPARTMENTAL OFFICERS REGARDING THE RETAIL  
MARGINS AND THEN TO DISCUSS THE QUESTION WITH HIM. THIS  
COULD MEAN FURTHER PRICE RISES IN THE NEW YEAR.

3. COMMENT:

ALTHOUGH BEFORE IT WAS DEFEATED IN THE NOVEMBER 29, '75  
GENERAL ELECTION THE PREVIOUS LABOUR GOVERNMENT HAD  
ANNOUNCED THAT GASOLINE PRICE INCREASES WOULD BE  
FORTHCOMING IT DEFERRED MAKING A DECISION BEFORE THE  
ELECTION. SUBSEQUENTLY, THE INEVITABLE AND EXPECTED HIGHER  
PRICES WERE REFERRED TO THE NEW NATIONAL GOVERNMENT.

UNPOPULAR THOUGH THE LATEST GASOLINE PRICE HIKE MAY BE  
(MOST NEW ZEALANDERS ARE NOW PREPARING FOR THEIR ANNUAL  
VACATIONS) THE NEW GOVERNMENT  
WHICH WAS SWORN IN ON  
DECEMBER 12, '75 HAS LOST NO TIME IN MAKING AND EFFECTING  
THE FIRST OF SEVERAL "BELT-TIGHTENING" DECISIONS EXPECTED  
TO BE ANNOUNCED BEFORE CHRISTMAS. (A RISE OF 23 PERCENT

MIGHT BE QUERIED IN AS MUCH AS THE PRICE OF CRUDE INCREASED  
BY ONLY 10 PER-  
CENT IN OCTOBER). A MINI-BUDGET ANNOUNCING INCREASES  
IN POST OFFICE AND RAIL SERVICES AND ELECTRICITY CHARGES,  
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TOGETHERWITH AN INCREASE IN THE SUBSIDIZED PRICE OF MILK  
(CURRENTLY BEING SOLD AT NZ4 CENTS PER PINT WITH TRUE VALUE  
BELIEVED TO BE ABOUT NZ11 CENTS) IS EXPECTED DURING THE WEEK  
OF DECEMBER 22 - 26. A DECISION TO CUT BACK THE GENERAL  
WAGE INCREASE DUE ON JANUARY 9, 1976 BASED ON THE INCREASE  
IN THE CONSUMER PRICE INDEX FOR THE PREVIOUS SIX MONTHS  
PERIOD - ESTIMATED TO BE ABOUT 8 PER CENT - IS ALSO IN THE  
PIPELINE. FROM THE NEW GOVERNMENT'S INTENDED ECONOMIC

RESTRAINT MEASURES ANNOUNCED SO FAR IT IS APPARENT THERE  
WILL BE NO "HONEYMOON" PERIOD.  
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